

SPECIAL NOTICE

June 25, 2003

For further information contact:
Telephone Information Center
1-800-647-7706 or (360) 486-2345

Alternate Formats (360) 486-2342
Teletype 1-800-451-7985

Penalty Changes The Cost of Making a Mistake Just Went Up

The 2003 Washington Legislature passed Engrossed House Bill (EHB) 2269 (Chapter 13, Laws of 2003, 1st Special Session), increasing penalty rates and adding new penalties to unpaid taxes. The new penalties and penalty rates will make it more costly when you don't pay all of the tax you owe.

Don't guess on how to file your taxes. You could be wrong and be penalized for an error that you could easily avoid.

Do contact the Department of Revenue. We want to make sure that you are filing correctly and won't be surprised by unexpected billings and penalties.

Avoid costly mistakes!

- ◆ File electronically. It decreases your chance of errors and erases any worries about mail delays.
- ◆ If filing a paper return, mail it several days before the due date.
- ◆ Write for a binding letter ruling to know the taxability of your activities.
- ◆ Request a tax consultation visit.
- ◆ Call our Telephone Information Center with any questions (1-800-647-7706).

The higher penalty rates and new penalties apply to tax returns received and billings and assessments issued on or after July 1, 2003.

A discussion of the specific penalty rate changes and penalty applications follows.

New Penalties and Increased Penalty Rates

Higher tax return penalties for late filing

Penalties have increased for tax returns received late (after the due date). *This applies to all late penalties assessed for all tax returns filed on or after July 1, 2003.*

(more)



Penalties will increase at the following rates:

Number of days after return due date * (Due date will be the following business day if it falls on a weekend or holiday.)	Delinquent penalty
One day after the due date to the last day of the month following the due date.	5% (no change)
First day of the second month following the due date to the last day of that month.	15% (was 10%)
First day of the third month thereafter	25% (was 20%)

* **Example:** The July Combined Excise Tax Return is due on August 20, 2003.

If the return is late:

- ◆ From August 21 through September 30, the return will be assessed a five percent delinquent penalty.
- ◆ From October 1 through October 31, the return will be assessed a 15 percent delinquent penalty.
- ◆ Starting on November 1, the return will be assessed a 25 percent delinquent penalty.

Penalties assessed on assessments and billings

A new five percent penalty is automatically added to all billings and assessments originally issued on or after July 1, 2003.

This includes, but is not limited to:

- ◆ Tax assessments resulting from an audit,
- ◆ Notices of balance due issued because of underpayments or mistakes made on tax returns, and
- ◆ Compliance assessments.

The billing penalty is imposed on top of any late penalties applied to tax returns contained within the billing. If a billing originally issued on or after July 1, 2003, is not paid in full by the due date specified, the billing penalty increases as follows:

Number of days after billing due date (Due date will be the following business day if it falls on a weekend or holiday.)	Delinquent penalty increases to:
1 - 30 days	15%
31 days or more	25%

Increased penalty for tax warrants

The penalty that the Department of Revenue applies when a tax warrant is issued increased from five percent to ten percent. A tax warrant is a document issued by the Department of Revenue to assess unpaid excise taxes. A tax warrant can be filed as a lien with a county's Superior Court. ***This is effective for all tax warrants originally issued on or after July 1, 2003, regardless of the periods included in the tax warrant.***

Warrant penalties for tax warrants issued prior to July 1, 2003, will not change.

Penalties for unregistered businesses

A five percent penalty will be assessed on any tax owed by a business that the Department of Revenue discovers has been operating without being registered with the Department. ***The change takes effect for all unregistered businesses discovered on or after July 1, 2003.***

The penalty does not apply if the business voluntarily registers prior to being contacted by the Department of Revenue.

<p>If you have questions regarding the increased penalty rates or additional penalties, contact our Telephone Information Center at 1-800-647-7706.</p>

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.